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WEEKLY REVIEW

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Although it is unlikely to change its policy of recognizing Red China, at least for the time being, the UK has shown by its selective embargo, by its rubber controls and its changed attitude on the Japanese Peace Treaty, a desire to conciliate the US in important Far Eastern problems.

Soviet Aid to Communist China ----- Page 4

Soviet aid to Communist China -- probably extended on the basis of current or future reimbursement rather than in the form of grants -- has taken the form of technical assistance from Soviet advisers, a \$300,000,000 credit extension, the step-up of Sino-Soviet trade, the return of ex-Japanese property, and the transfer of military equipment valued at possibly over \$100,000,000 in the past year.

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As Western export controls have become increasingly severe, the Chinese Communists have resorted to the following courses: (1) Increased their purchasing activities in India, (2) Sought increased shipments via the Burma Road, (3) Approached Indonesia and Ceylon for rubber, (4) Increased trade with East Europe, and (5) Negotiated new trade protocols with the USSR.

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The tendency of several Soviet Satellites to apply breaks to the collectivization program probably indicates a desire to avoid jeopardizing prospects of good crops by further antagonizing the peasantry.

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While outmoded industry and ill-equipped armed forces could be modernized only at great expense and over a long time, Spain's strategic geographical position would enable it to bring valuable bases to NATO if Spain were admitted to membership.

The Haya Case ----- Page 13

The recent International Court of Justice ruling regarding asylum of Victor Haya de la Torre, Peruvian politician, in the Colombian Embassy in Lima has done little to relieve two and a half years of tension between Colombia and Peru.

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United Kingdom Seeking Closer Agreement With US on Far East Issues

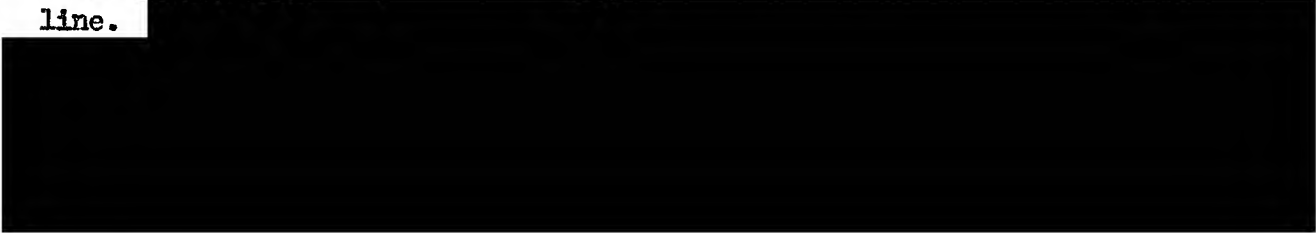
Without abandoning for the present its basic China policy, the UK has recently tended to conciliate the US on a variety of Far Eastern problems arising from the basic divergence of British and American interests in the area.

Since April of this year, the UK has instituted a selective embargo against mainland China, set up a rubber export control system, accepted in general the US position on the Japanese Peace Treaty, notably in connection with the Chinese accession problem, and has agreed to postpone consideration of the permanent disposition of Formosa. Further, the British have agreed to postpone the issue of Chinese Communist representation in UN bodies and the General Assembly, and have recently favored the admission of Japan to the International Wheat Agreement, in this case reversing their policy of last summer.

Considered collectively, these moves demonstrate a deep British concern to avoid the adverse consequences of aggravating US-UK differences over Far Eastern policy, not the least serious of which, in the UK view, would be a resurgence of strong anti-British feeling in the US and a consequent stiffening of US policy toward Communist China.

The British policy of recognizing the de facto authority of the Peiping regime follows traditional UK procedure in such cases, and is based on ample precedent. Moreover Britain is firmly opposed to any expansion of the Korean war into a wider Asian theater, and actively favors renewed cease-fire proposals to the Chinese Communists. In view of energetic British prosecution of these aims, it would be inconsistent to conclude that the UK has reversed its attitude toward the Peiping regime. And, it remains improbable that Britain will do so, especially as long as the threat to Hong Kong and Malaya continues unabated.

The recent change in emphasis in British Far Eastern policy, however, suggests a desire to establish a record of firm measures taken in dis-
approval of Chinese Communist aggression in Korea -- possibly in anticipa-
tion of future developments that might make it necessary to adopt a stronger
line.



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Soviet Aid to Communist China

The help rendered by the USSR to China has been a consistent theme of Chinese Communist propaganda. A noteworthy feature of this propaganda, however, is that no mention is ever made of assistance in the form received by beneficiaries of US aid -- that is in the form of gifts or grants.

Since the Chinese Communists are in no way backward about advertising Soviet aid, the lack of reference to grants suggests that Soviet assistance has been on the basis of current or future reimbursement. This inference may deserve qualification with respect to military aid: transfers of military equipment on a grant rather than reimbursement basis may have been made but not publicized because of security and propaganda considerations.

The listing that follows summarizes the various types of Soviet assistance to Communist China. Although these types of aid do not entail the same economic sacrifice to the USSR as would outright gifts, they have required an allocation of scarce technical personnel and goods that the USSR would not make if it did not consider the effort worthwhile in furthering the integration of China into the Soviet Orbit. From China's point of view, although Soviet assistance has not provided the same easy benefits as free gifts, it has meant the acquisition of industrial supplies and equipment that were not otherwise available to the Chinese Communists.

1. Personnel. Soviet personnel in China, estimated at between 15,000 and 25,000, are in a position to exert considerable influence over military, political and economic affairs. The large majority of these persons are military technicians and advisers, whose services are not advertised in Chinese Communist propaganda. Soviet political advisers, the next largest category, are prominent in both the Chinese party and governmental apparatus, particularly in the various security organizations. In the economic field, the help of Soviet advisers in railroad restoration, coal mining and the steel industry has been effusively acknowledged. USSR trading agencies in China also employ a large body of Soviet personnel to handle the growing trade between the two countries. Finally, Soviet personnel are prominent in sectors of the economy dominated by joint Sino-Soviet enterprises, such as civil aviation in North China.

2. Credits. In February 1950, the USSR agreed to extend a \$ 300,000,000 credit to China at the rate of \$ 60,000,000 annually. The Chinese agreed to amortize this credit with 1 percent interest at \$ 30,000,000, starting in 1954. The credit is being used by China to cover the shipment of industrial supplies and equipment from the USSR, and possibly of military items as well. No other Soviet credits to Communist China have been publicized, although [REDACTED] reports have alleged that additional credits have been extended to cover military shipments.

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3. Trade. The USSR, which was traditionally unimportant in China's foreign commerce, is now, according to Communist statements, China's principal trading partner. In 1950, trade with the USSR is said to have accounted for about one-fourth of China's foreign commerce. Access to the USSR is particularly helpful to China for items, such as petroleum and trucks, that are difficult to obtain from the West because of export controls. China is today wholly dependent on the USSR for its supply of petroleum products, except for a small amount obtained from smuggling and domestic production. The USSR has also encouraged the opening up of trade between China and the East European Satellites, and strategic items shipped from or transshipped through the Satellite countries have provided a small but useful component of China's imports. Recent announcements, following the signing of new trade agreements, declare that China's trade with other Communist areas will increase several-fold in the coming year. An increase in trade with other Communist nations should help measurably in offsetting the adverse effects of the expected decline in commerce with the West, although it will not mitigate China's shortages of selected items like rubber.

4. Return of ex-Japanese property. In January 1951, the Moscow radio announced the return to the Chinese of property seized from Japan by the USSR. The transfer of assets covered 302 items, including 183 residences, 47 factories, 33 warehouses, 23 land properties and 11 cinemas located in Dairen, elsewhere in Manchuria and in Peiping. Except for the Port Arthur Naval Base and the Chinese Changchun Railway, the Soviets apparently have turned over to the Chinese all former Japanese properties in the Northeast, excluding machinery that had previously been dismantled and shipped to the USSR.

5. Military aid. Estimates regarding the extent of Soviet military aid to the Chinese Communists remain highly speculative. Soviet equipment captured from Chinese Communist units in Korea consists of a few artillery pieces and other minor material. Sightings of tanks in Chinese Communist rear areas, however, suggest that captured equipment does not offer a representative indication of the amount of Soviet equipment involved in current operations. In China itself there is evidence that Soviet military aid has taken the form of airplanes, radar and communications equipment, anti-aircraft and coastal artillery, military vehicles, tanks and possibly also naval craft, including submarines. Although firm statistics on the value of Soviet military aid are not available, figures on present Chinese Communist air strength offer the basis for a minimum estimate. At present, the Chinese Communist Air Force has available approximately 1,000 aircraft of all types, mostly of Soviet manufacture. Only 400, however, are tentatively identified as of Chinese Communist subordination; the remainder are of North Korean or undetermined subordination operating in conjunction with the Chinese Communist Air Force. On the basis of these figures, some \$50,000,000 would appear to be a minimum estimate of the value of Soviet military aid to China in the past year, with a more likely figure of two or three times this amount.

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Soviet assistance has probably entailed disadvantages to China in that the prices paid to the Russians have been relatively high, although Communist propaganda alleges that the Chinese have received good prices for shipments to the USSR and have bought cheaply from the Russians. Western observers are inclined to believe that the terms of trade are not as favorable to the Chinese under present conditions as in former years. Nevertheless, when Western sources of supply are being closed to the Chinese, Soviet assistance -- on whatever terms -- is needed to support China's economy and assure the military effectiveness of its fighting forces.

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Chinese Communists Counter Western Embargoes

Despite the export controls imposed by the major Western trading countries, China's foreign commerce in 1950 reached record levels. Export restrictions were wholly confined to items of a strategic character and, except in the case of the US control program, the range of items considered strategic was narrow and generally exclusive of the bulk of items entering into China's commerce.

During 1950, rubber, cotton, iron and steel products, transportation equipment and many machinery items were exported to China from most countries without restriction by export control officials. Only in the case of a few commodities of commercial importance, like petroleum products, were the Chinese Communists seriously affected by Western export controls.

Since the Chinese entered the Korean conflict, Western controls have been progressively tightened. In December, the US replaced its program of selective controls by a policy of complete embargo on all shipments to China. Later, largely as a result of US pressure, the West European countries began to apply more restrictive criteria in licensing exports to China. British action in embargoing rubber shipments and Hong Kong measures to broaden the scope of its export controls have begun to cut appreciably into the amount of Chinese imports from Western sources.

To Counter the increasing effectiveness of Western export controls, the Chinese Communists have resorted to the following sources:

1. Increased purchasing activities in India. Because of the increasing restrictiveness of Hong Kong controls, the Chinese have reportedly begun to shift their commercial staffs to India, seeking to develop that area as a source of supply for local products and war surplus equipment, and as a trans-shipment point for items originating in other countries. In this connection, China's wooing of the Indian public by shipments of food grains is well calculated to secure a climate of official opinion disinclined to restrict the volume of trade with the Communists. Reported support in Peiping for a plan to inaugurate air service between China and India is indicative of a Chinese Communist desire to encourage commerce between the two countries.

2. Increased shipments via the Burma Road. As an alternate supply artery, the Burma Road can be of only limited value to the Chinese Communists because of physical limitations on the carrying capacity of the highway and because of the prevalence of bandits in the area. Nevertheless, the Chinese Ambassador in Rangoon has reportedly requested the Burmese Government to allow increased shipments over the road. At the same time, the Chinese have been repairing the roadbed, bridges and culverts along the section of the highway in their territory.

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3. Approaches to Indonesia and Ceylon for rubber. Following the British ban on rubber shipments from Malaya, the Chinese began to press the search for alternate sources of supply. Negotiations with Indonesia and approaches to Ceylon have not yet been concluded in contracts, according to the latest information. It is not expected that the Chinese will be able to obtain from these two countries more than a small fraction of the rubber that moved to them from Malaya before the British ban was imposed.

4. Increased trade with East Europe. Polish vessels have been increasingly prominent in Far East waters and have carried rails and other strategic cargoes from Eastern Europe to China. Plans to step up the volume of this inter-Orbit trade are indicated by the announcement of a new Sino-Czech trade treaty providing, according to Communist statements, for a large increase in trade between the two countries. Similar agreements providing for increased trade with other Satellite areas are expected to follow.

The Eastern European Satellites have been useful to the Chinese Communists in another way. There is mounting evidence of a broad effort to slip embargoed items through to China by the use of fictitious purchasers and of ships chartered by Soviet Orbit interests which make false declaration of destination.

5. Negotiations for new trade protocols with the USSR. According to Communist statements, the USSR was China's principal trading partner in 1950, with the US a very close second. New protocols just signed in Moscow provide, the Communists declare, for substantially increasing Soviet shipments to China in 1951. The USSR is a primary source for petroleum products to China, as well as for military equipment.

Despite the vigor of Chinese countermeasures to Western trade restrictions, current trade returns indicate that China's imports from non-Orbit areas will be less in 1951 than in the previous year -- a loss for which increased shipments from the Orbit countries will not fully compensate. The Communists already feel the pinch in the case of petroleum and truck tires, as is evidenced by the high prices they are willing to pay for these items. Shortages in steel rails, rubber, automotive equipment and many machinery items are also in prospect as present stockpiles are depleted and shipments from other Orbit areas prove insufficient to make up for the loss of Western sources of supply.

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Collectivization Deemphasized in Cominform Satellites

Concurrently with reports of prospects for a good harvest throughout Eastern Europe, there are indications that several Cominform regimes are at least temporarily deemphasizing collectivization in favor of consolidating gains already made.

The most spectacular evidence of this trend comes from Bulgaria and Poland, where specific local Communist Party organizations were recently dissolved for employing force against the small and medium peasants in an effort to extend collectivization.

This drastic action had been preceded in Poland by a January 1951 party directive that small and middle peasants were not to be coerced into joining producer cooperatives, as a first step toward collectivization. In an additional effort to woo the peasant, the Polish Government had granted several time extensions for grain deliveries to the State, and had reduced penalties for late deliveries.

The Bulgarian effort to check the collectivization zeal of local Communists is the aftermath of a 1950 campaign during which the amount of arable land in collectives was increased from about 10 percent to 45 percent and now includes over 50 percent of the peasant households in the country. The passive resistance of the Bulgarian peasant to the Communist collectivization terrorism had repeatedly flared into spontaneous outbursts of armed resistance. Furthermore, there had been a noticeable increase in the numbers of Bulgarian peasants fleeing the country, principally to Yugoslavia, but also to Greece and Turkey. These refugees reported that, in addition to the usual methods of coercion, the Bulgarian Government pushed the establishment of collectives by the large-scale resettlement of "unreliable" elements from sensitive border areas and by seizing the land of some 120,000 ethnic Turks who had been deported to Turkey.

In addition to picking two local party organization as scapegoats for collectivization difficulties, the Bulgarian Communist leaders have relaxed rationing restrictions and decreased prices on some consumer goods. The previous Bulgarian propaganda barrage exhorting increased efforts at collectivization has been almost non-existent in recent months, and no further gains in the amount of collectivized land in Bulgaria have been noted.

A similar Albanian Communist tactical shift is evident in two recent party directives. The first called for increased impetus for the development of agricultural collectives. This was shortly followed, however, by an Albanian Central Committee directive calling the previous agricultural policy incorrect, in that collectivization was not to be expanded, but existing collectives consolidated.

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A like pronouncement was made this spring in Hungary by party leader Rakosi when he indicated that no new cooperatives would be formed until further notice, and indicated that the consolidation of existing Hungarian cooperatives was the difficult task now at hand.

The evidence in Czechoslovakia and Rumania, although not as specific as in Poland, Bulgaria, Albania and Hungary, also indicates at least a temporary slackening of collectivization pressures.

There are several possible motives for a relaxation of the collectivization drive in Eastern Europe. The Communists cannot afford to jeopardize a generally excellent crop prospect by further agitating the already angered peasants. Available evidence indicates that peasant resistance, hitherto largely passive, has resulted in relatively poor agricultural yields. Among high officials in the Soviet Union itself, there are differences of opinion regarding the merits of the further merging of existing collectives. Since the present East-West tension makes agricultural reserves extremely important, the Satellite Communists may be temporizing on the long range program in favor of more immediate agricultural production benefits.

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Bases Spain's Biggest Contribution as Potential NATO Member

A strategic geographical position, not military or industrial potential, would be Spain's biggest immediate contribution to NATO in the event it were admitted to membership.

An ill-equipped army, navy and airforce, and an outdated industrial machine could be modernized only over a considerable period of time and at very high cost to the US. Spanish operational bases, however, might be of vital importance in a war between East and West and could quickly be adapted to operations purposes.

General Francisco Franco informed the US Ambassador in Madrid three months ago that if and when Spain became a member of the North Atlantic Treaty Organization, it would be bound by "all NATO commitments." In theory, this would include the allocation of some Spanish armed forces to General Eisenhower and the granting of Spanish naval and air bases to other NATO member nations.

Some of Franco's closest military aides have asserted that, given adequate equipment, Spanish troops would be sent beyond Spain's borders. It is believed that Spain could contribute up to 26 divisions of about 9,000 men each.

With respect to the question of Spain's coastal defenses, Franco's Naval Chief of Staff said that the Spanish littoral should be defended from the sea and in the air, thus highlighting the dependence of Spain upon land-based or carrier aircraft and upon an efficient navy, neither of which Spain possesses.

If Spain is to follow a path parallel to that of Portugal, already a NATO member, the right to expand, equip and otherwise develop selected Spanish bases should be one of the first concessions granted by Spain under the terms of the NATO agreement. The modernization of Spain's military forces and the efficient utilization of Spain's reservoir of manpower would, of necessity, become a long-range target.

Despite Spain's boast of possessing the largest trained fighting force in Western Europe, with a potential reserve of two million (actually about 400,000 under arms), it is obvious to military observers that Spain's land forces are woefully lacking in the type of military equipment essential to successful modern warfare. On the positive side, the Spanish soldier is a tough, almost fanatical fighter, who, when properly trained, reveals a real aptitude for handling modern weapons. The Spanish general staff and officer corps are also generally considered to be capable, although using outmoded techniques.

The same considerations hold true for the navy and the air force. The bulk of Spanish warships could be used effectively only in anti-submarine warfare and mining operations. Even for these operations, they are almost totally lacking in modern sonar equipment, and their staffs are untrained in modern attack techniques. A recent survey revealed the astonishing fact that the Spanish air force had only two radar sets. And until very recently Spanish pilots had never even seen a jet aircraft.

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Spain's industrial complex, now operating according to economically unsound principles and arbitrary state control, could with proper technical assistance and a supply of raw materials meet at least Spain's own requirements.

It is clear, therefore, that from a military point of view, Spain's only immediate contribution to NATO objectives would be its extremely advantageous geographic position.

It must be borne in mind, moreover, that the gap between Franco's protestations of future cooperation and his eventual implementation of NATO directives might prove to be very wide. There are many unknown quantities in the current Spanish situation. While the Spanish authorities are violently anti-Communist, they tend to underestimate Soviet capabilities and appear to lack the sense of urgency demanded by the present crisis. They insist, for instance, that Spanish economic rehabilitation must be completed before Spain's military re-armament can even be considered.

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25X6 The exorbitant price the US would have to pay for Franco's cooperation would inject new life into a very unpopular regime.

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The Haya Case

The recent decision of the International Court of Justice regarding the famous asylum case of Haya de la Torre has done little to ease the two and half years of tension between Colombia and Peru. The case now becomes a matter for diplomatic negotiation under the watchful eye of, and possibly subject to pressure from, other Latin American nations.

Feeling over the case has at one time or another produced a Peruvian threat of a diplomatic break; an alleged Peruvian plan to incite a mob attack on the Colombian Embassy in Lima and thus lay hands on the refugee; a delay in Peruvian demobilization of one military class; the recall of most of the Colombian Embassy personnel; the cordoning of the Embassy with armed guards; and various allegations of border incidents.

Victor Raul Haya de la Torre, the leader of the first political movement with mass support in modern Peruvian history, took asylum in the Colombian Embassy in Lima on 3 January 1949. Peru, while respecting Colombia's conception of the extraterritoriality of its embassy, refused to grant safe conduct for Haya to leave Peru on the grounds that he was a common criminal, guilty of "intellectual authorship" of an assassination, and that Colombia had acted improperly in granting asylum.

Early in April 1949, the two governments agreed to refer the case to the International Court of Justice at the Hague. Unable, even after long negotiations to agree on the terms of reference, separate questions were submitted to the Court. The Court in November 1950 ruled that Haya was a political rather than a common criminal, but that Colombia had granted the asylum illegally and that Peru was not obliged to grant safe conduct.

Colombia requested clarification as to what the decision obligated it to do. The Court replied that Colombia's request required not a clarification but a new judgment. Consequently, Colombia and Peru submitted new questions, and on 13 June the Court stated that the asylum, being illegal, must end, but that Colombia was not obliged to deliver Haya to the Peruvians. The solution of the resulting impasse was held to be a diplomatic question.

Although the present conservative administration in Colombia has no sympathy for the political views of Haya, the weight of opinion of other Latin American countries makes it virtually impossible for Colombia to do otherwise than stand on the decision of the Court and continue to refuse any compromise requiring Haya's delivery to Peru. Latin American interest in the case has been considerable because of the frequent use of asylum in embassies and legations. Leading figures in other Latin American countries, no matter what their political orientation, have regarded the Peruvian attitude in this instance as one which endangers the continuance of the highly-prized institution of asylum.

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President Odría of Peru may well be willing to accept some compromise solution, since he would probably prefer not to antagonize labor further. The Peruvian oligarchy, however, which put Odría into the Presidency in 1948, has a deep-seated fear and hatred of Haya. While Odría has become somewhat independent of his original supporters during the past two years, he is not completely free of them, and, because of their probable intransigence in regard to Haya, the forthcoming diplomatic negotiations between Colombia and Peru are likely to be difficult and possibly protracted.

Latin American opinion, however, will severely restrict Peruvian action and negotiations are likely to remain on a comparatively even plane.

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